

NCA
VOC FOR IOP/FN
BACKGROUNDER NO. 1-0126
LARRY FREUND/BUDAPEST

FEBRUARY 6, 1976

HUNGARY: ECONOMIC WORRIES

ANNCR:

OFFICIALS IN SEVERAL EASTERN EUROPEAN COUNTRIES ARE GRAPPLING WITH SOME OF THE SAME ECONOMIC PROBLEMS FACED IN WESTERN EUROPE, INCLUDING INFLATION. VOA CORRESPONDENT LARRY FREUND FILED THIS REPORT FROM BUDAPEST, HUNGARY.

VOICE:

"THERE IS AN OLD SAYING ABOUT PRICE RISES," SHRUGS THE HUNGARIAN WRITER. "RUMOURS CIRCULATE ABOUT A VERY HIGH INCREASE AND THEN WHEN THE REAL RISE IS ACTUALLY ANNOUNCED, IT IS NOT AS HIGH AND EVERYONE IS HAPPY."

THE PRICE INCREASE PEOPLE ARE NOW TALKING ABOUT IN BUDAPEST COMES NEXT SUMMER, WHEN THE COST OF SEVERAL COMMODITIES, INCLUDING MEAT, GOES UP. THE OVERALL COST-OF-LIVING INCREASE IN HUNGARY IS SET FOR FOUR-AND-A-HALF PERCENT THIS YEAR, A PERCENTAGE POINT HIGHER THAN LAST YEAR. DESPITE CLEAR INDICATIONS FROM THE GOVERNMENT THAT ECONOMIC EXPANSION WILL BE ON A SMALLER SCALE THAN BEFORE, SHOPS IN BUDAPEST ARE STILL FULL OF THE CONSUMER ITEMS THAT HAVE MADE THE HUNGARIAN CAPITAL THE ENVY OF EASTERN EUROPE. SOME WESTERN IMPORTS ARE BEING CUT BACK BECAUSE OF THE COUNTRY'S TRADE DEFICIT -- LUXURY ITEMS LIKE CIGARETTES AND ALCHOLIC DRINKS. THERE IS STILL A BAN ON IMPORTS OF WESTERN CARS. "A SOCIALIST CAR IS JUST AS GOOD AS A CAPITALIST CAR," A TRADE OFFICIAL SMILES WEAKLY. BUT AT THE SAME TIME, THERE ARE NO PLANS EVIDENT IN HUNGARY FOR MAJOR NEW IMPORT BARRIERS.

AND THERE IS NO SIGN OF A MAJOR TURN AWAY FROM THE UNORTHODOX ECONOMIC POLICIES THAT ADVANCED HUNGARIANS TO THE FRONT TO THE CONSUMER LINE IN EASTERN EUROPE. THERE HAVE BEEN SOME CHANGES IN THE WAKE OF HUNGARY'S MOUNTING ECONOMIC DIFFICULTIES WITH INCREASED CONTROL SHIFTED TO THE CENTER. WESTERN ECONOMIC ANALYSTS SEE THE CHANGES AS AN ADJUSTMENT TO ECONOMIC REALITIES RATHER THAN A RETREAT FROM THE COUNTRY'S BASIC ECONOMIC POLICIES.

HUNGARIAN OFFICIALS TOGETHER WITH ECONOMIC MONITORS IN THE OTHER COMMUNIST NATIONS OF EUROPE, HAVE BEEN KEEPING A WATCHFUL EYE ON THE HEALTH OF THE WESTERN ECONOMIES. DESPITE THEIR LINKS WITH EACH OTHER, THE EASTERN EUROPEAN COUNTRIES HAVE ALSO DEVELOPED STRONG TIES WITH THE WESTERN ECONOMIES. THE EASTERN EUROPEANS HAVE IMPORTED HIGH TECHNOLOGY AND CONSUMER GOODS FROM THE WEST TOGETHER WITH A STIFF DOES OF WESTERN INFLATION COMPOUNDED BY INFLATION GENERATED WITHIN THE COMMUNIST NATIONS THEMSELVES. IN KEEPING WITH ARRANGEMENTS ANNOUNCED A YEAR AGO, FOR EXAMPLE, HUNGARY BEGAN TO PAY EIGHT PERCENT MORE FOR SOVIET OIL AT THE BEGINNING OF THIS YEAR -- ON TOP OF THE ONE HUNDRED THIRTY PERCENT RISE ANNOUNCED A YEAR AGO. GOVERNMENT SUBSIDIES HAVE ABSORBED MANY OF THE PRICE RISES, BUT AT COSTS THAT HAVE BECOME INCREASINGLY UNCOMFORTABLE.

THE MOOD AMONG HUNGARIAN OFFICIALS SEEMS MORE REALISTIC THAN PESSIMISTIC ABOUT THEIR FUTURE PROSPECTS. OBSERVERS WATCHED DEVELOPMENTS CLOSELY AT LAST YEAR'S PARTY CONGRESS, AND INDEED, ONE OF THE PRINCIPAL PROMOTERS OF HUNGARY'S ECONOMIC POLICIES LOST HIS PLACE ON THE POLITBUROU. BUT THOSE BASIC POLICIES ARE SEEN AS CONTINUING, AND THERE IS STILL EVIDENT SOVIET

SUPPORT FOR THE HUNGARIAN LEADERSHIP DESPITE ITS OFTEN NON-DOGMATIC APPROACH TO ECONOMIC AFFAIRS. THAT APPROACH HAS KEPT HUNGARY RELATIVELY PROSPEROUS, SAYS AN OFFICIAL IN BUDAPEST, AND SIGNIFICANTLY FROM THE SOVIET POINT OF VIEW, STABLE. WHY, THE OFFICIAL ASKED, WOULD THEY WANT TO CHANGE THAT?

-0-

GH/RTD